

## **Nursing Facility Provider Assessment Parameters and Impact Analysis**

### **Presented to the KHPA Board: November 17, 2009**

#### **General Parameters**

- Assess all Licensed Beds except for nursing facilities for mental health and the state operated Soldiers Home and Veterans Home
- Generate \$15.97 million using a uniform rate of approximately \$725
- A fund should be established to hold the assessment revenues, and the funds should only be used for the Medicaid NF and other Medicaid (HCBS) programs
- Split revenue 85/15 between NF program and other programs
- An advisory board would provide recommendations to the Secretary of Aging on how the funds should be used
- Add \$33.38 million NF reimbursement system with adjustments for
  - Removing the 85% occupancy rule
  - Passing through the Medicaid share of the assessment
  - Applying additional inflation to all costs
  - Increasing incentive payments 250%
  - Spending up to \$1,000,000 on a satisfaction survey program

#### **Impact Analysis**

- Fiscal Impact to Nursing Facilities
  - 314 homes (91%) gain and average of \$57,408
  - 28 homes (8%) lose and average of \$22,669
  - 2 homes (1%) neutral
- Provides \$5.98 million for other programs such as HCBS
- Private pay impact
  - 36 new nursing homes would be subject to a private pay limit unless they raised their private pay rates (the average increase would be \$4.56)
  - If any provider were to pass the assessment directly through to private pay residents, the expense would amount to about \$2.30 per resident day

#### **Pros and Cons**

<b>Pros</b>	<b>Cons</b>
\$40 M (\$24 M net) Medicaid increase	Potential private pay increases
Reward quality performance	Some providers have net loss
Encourage Medicaid participation	Not all funding tied to quality
Encourage bed closure or recycling	

#### **Cash Flow Analysis**

- If enhancements were effective July 1<sup>st</sup> and assessment was collected quarterly by the end of the first month of each quarter, the nursing homes would have a net loss (of \$1.2 M) for the first month but would be ahead from the second month on
- If enhancements were effective July 1<sup>st</sup> and assessment was collected quarterly due by the end of the quarter, the state would have a net loss (of \$2.2 M total) for the first two months, but would be ahead from the third month on

**Time Line**

- CMS Regional staff have stated that the expectation would be to review both the assessment proposal and any related state plan amendment concurrently
  - The assessment proposal would be reviewed at the CMS central office
  - The state plan amendment would be reviewed at the regional office
- At least four months should be allowed to gain CMS approvals
  - For a July 1, 2010 effective date both the assessment proposal and related state plan amendment should be submitted no later than March 1, 2010, unless it would be implemented retroactively